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**Steering without navigation equipment:  
The lamentable State of Australian Health Policy Reform**

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# Outline

## A. Present 'Reforms'

- COAG and the budget

## B. Steering without navigation equipment

- Need for fundamental reform

## C. Options for reform

# Rudd's hospital intervention

- Initially      Takeover hospitals:  
largely a single system
- Post COAG      State control retained  
DRG funding → State 'Funds'  
Commonwealth share 60%  
Increased funding

# Hospital intervention – the justification

- Justification ... Excessive queuing
- DRG funding increases efficiency
- ‘Funds’ prevent States misappropriating health dollars
- Commonwealth will inject additional dollars

# Hospital statistics 2007/08

		NSW	VIC	QLD	WA	SA	TAS	AUST
1	Cost/Adj case (index: all hospital)	101.5	98.6	98.6	104.1	0.92	108.8	(\$4232) 100
2	Hospital Expenditure/person	1.02	1.03	89.4	1.07	0.93	1,264.7	(\$1360) 100
3	Days queued at 50 <sup>th</sup> percentile	39	33	27	30	42	36	34
4	% queue within triage time	76	71	63	61	61	60	69

Row 1 Evidence of significant variation in efficiency??

Row 2 Evidence of misappropriation of funds

Row 3, 4 Similarity in queuing

Other evidence: not presented

Source: Productivity Commission Report on Government Services (SCRGCP 2010)

# Commonwealth access to money

- Wrong Logic
  - Fit health system to dysfunctional Federal-State tax regime
  - OR
  - Fit tax system to optimal health system
- Conclude
  - Tax system should  $\neq$  driver  
= accommodates system

# Cause of queuing

- Queues ← demand and supply
  - Supply ← \$, doctors, nurses, beds
    - \$ ← Commonwealth
    - Doctors ← Commonwealth, PHI policy
    - Nurses: Commonwealth
    - Beds ← States (beds/1000 = OECD avg)

Figure 1a. Commonwealth debt and deterioration in State financial balance 2003/04-2008/09

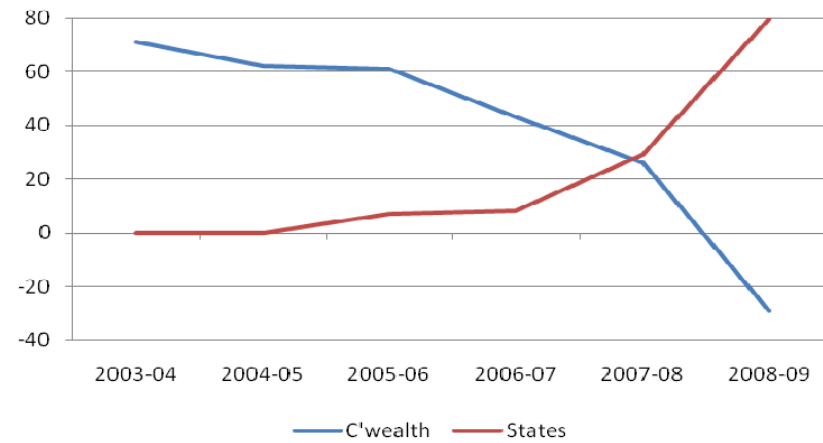


Figure 1b. Share of hospital budget

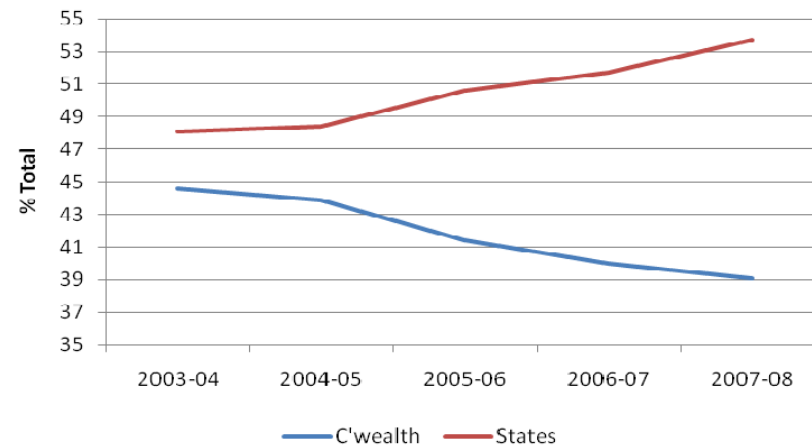
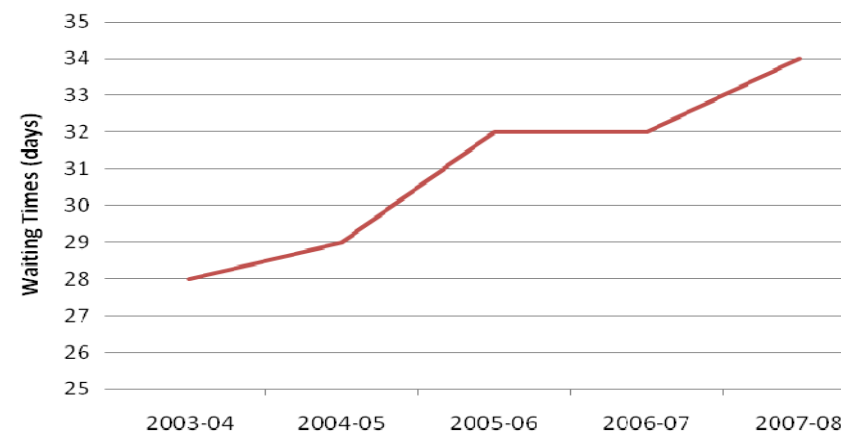


Figure 1c. Waiting times, all Australian public hospitals



# Budget initiatives

## The National Health and Hospitals Network

- Magnitude of investment \$7.3 billion
  - ... over 5 years
  - ... ie \$1.46 billion pa
- Commonwealth health expenditures = \$47b
  - Inv/Exp = 2.85%
- Total health expenditure
  - 2008/09 = \$109b
  - Inv/Exp = 1.34%

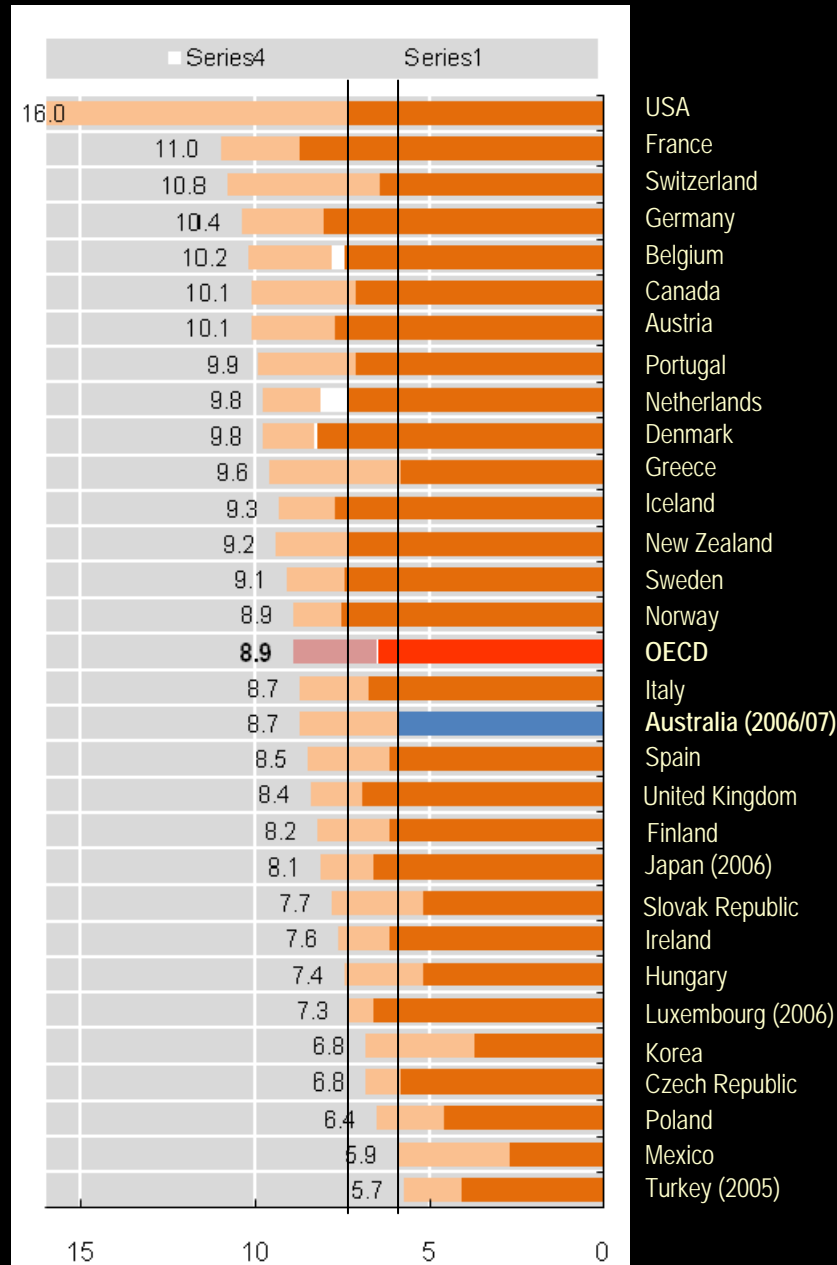
# Areas of investment

Area	5 years	1 year	Comment
Super clinics	355	71	European idea circa 1946
After hours	417	83.4	About time
Train nurses	523	104.6	Routine management
Other workforce	677	135.4	About time
Electronic records	467	93.4	Technology circa 1980
Mental health	176	35.2	Few votes lost
Dental health	?	?	Blame States
Prevention	Cigarette tax	Other rec. Rejected	Popular move

# Summary of reforms

- Small scale ... 'dab reform'
- Overdue or  
Inconsequential (hospitals)

# Could we afford more?



Source: Health at a Glance 2009: OECD Indicators - OECD

# Steering without navigation equipment

The need for fundamental reform

# Good Health $\neq$ Good System

- Health  $\leftarrow$  nutrition, education, environment, technology, skilled workforce
- System = coordinating parts to maximise goal achievement

# Theme

- Public discussion/policy focused on (relatively) small issues
- Information provided sometimes borders on disinformation
- Large issues sidelined

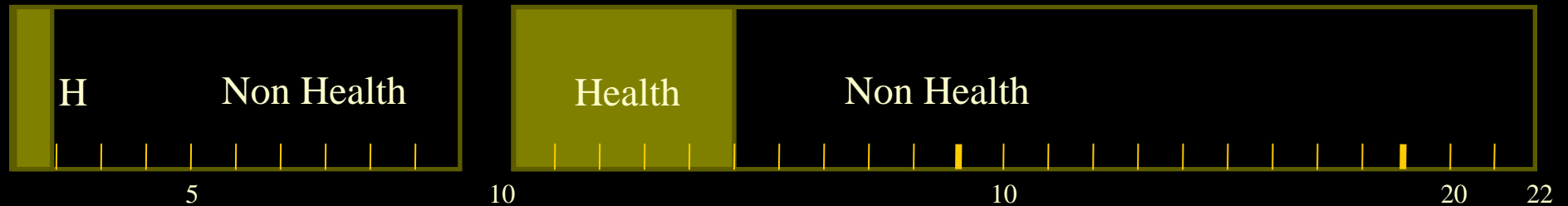
# Perceived problems

- Ageing / Future costs
- Private Health Insurance
- Queuing
- Privatisation

# Future costs

## Health vs GDP 2007-08, 2047-48

$G(\text{GDP}) = 2\%$  ;  $G(\text{Health}) = 4\%$



# Private Health Insurance

## Share of Funding 2005-06

	Total \$ billion	PHI \$ billion	%
Total Hospitals	31.6	3.4	11.0
Medical Services	15.5	0.6	4.1
Dental Services	5.3	0.7	14.1
Other Health Practitioners	3.0	0.4	11.5
Total	869	6.3	7.1

Source: AIHW Health Expenditures Bulletin

# Hospital privatisation

Ideology	...	100%
Evidence	...	0%

# Failures and Large, Ignored Problems

Technology  
Coordination  
Workforce planning  
Equity  
Quality

# Technology

- Technology
  - Huge costs/huge benefits
  - Proactive evaluation limited
  - Proactive diffusion – nil
  - Policy: passive/reactive/uncoordinated/  
non existent
  - Minimal evaluation capacity

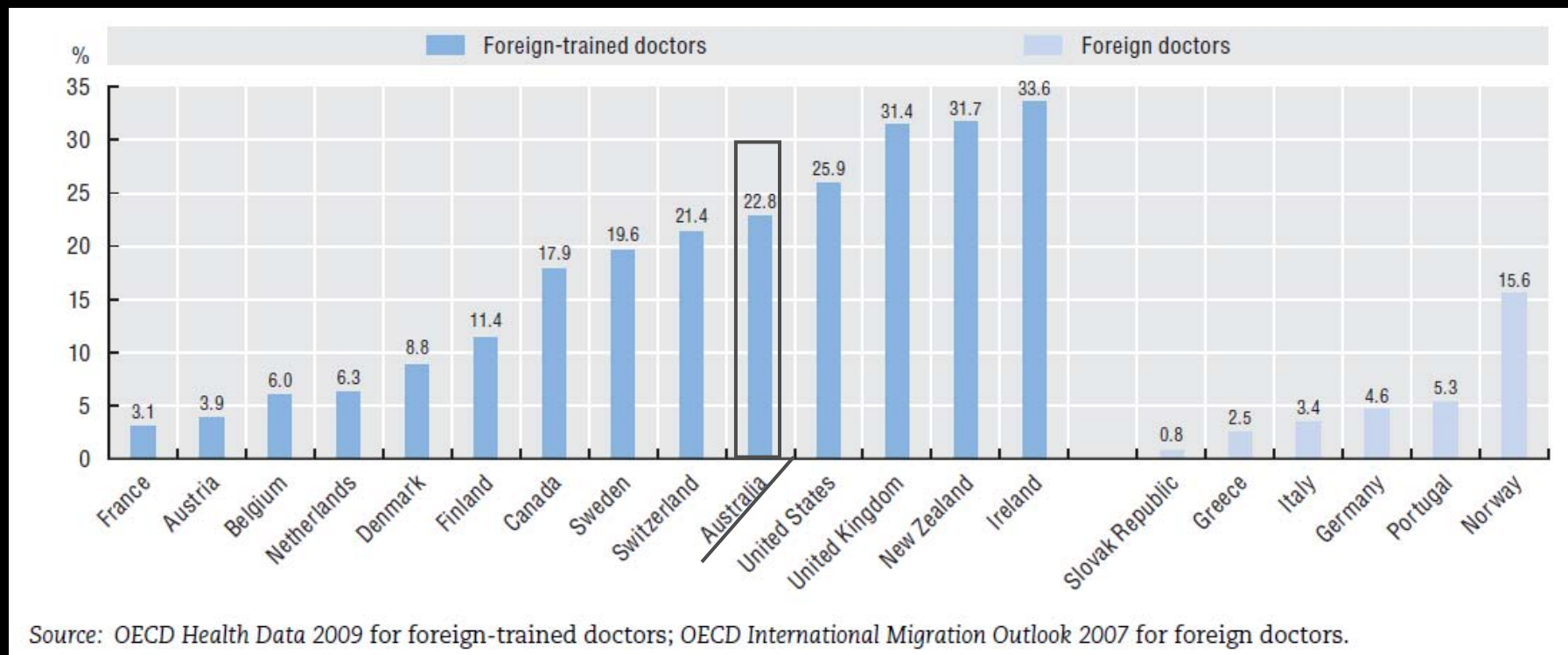
# Coordination and coherence

- Federal-State divide
- Multiple uncoordinated programs
- Multiple 'pots' of money guarantees  
allocative inefficiency

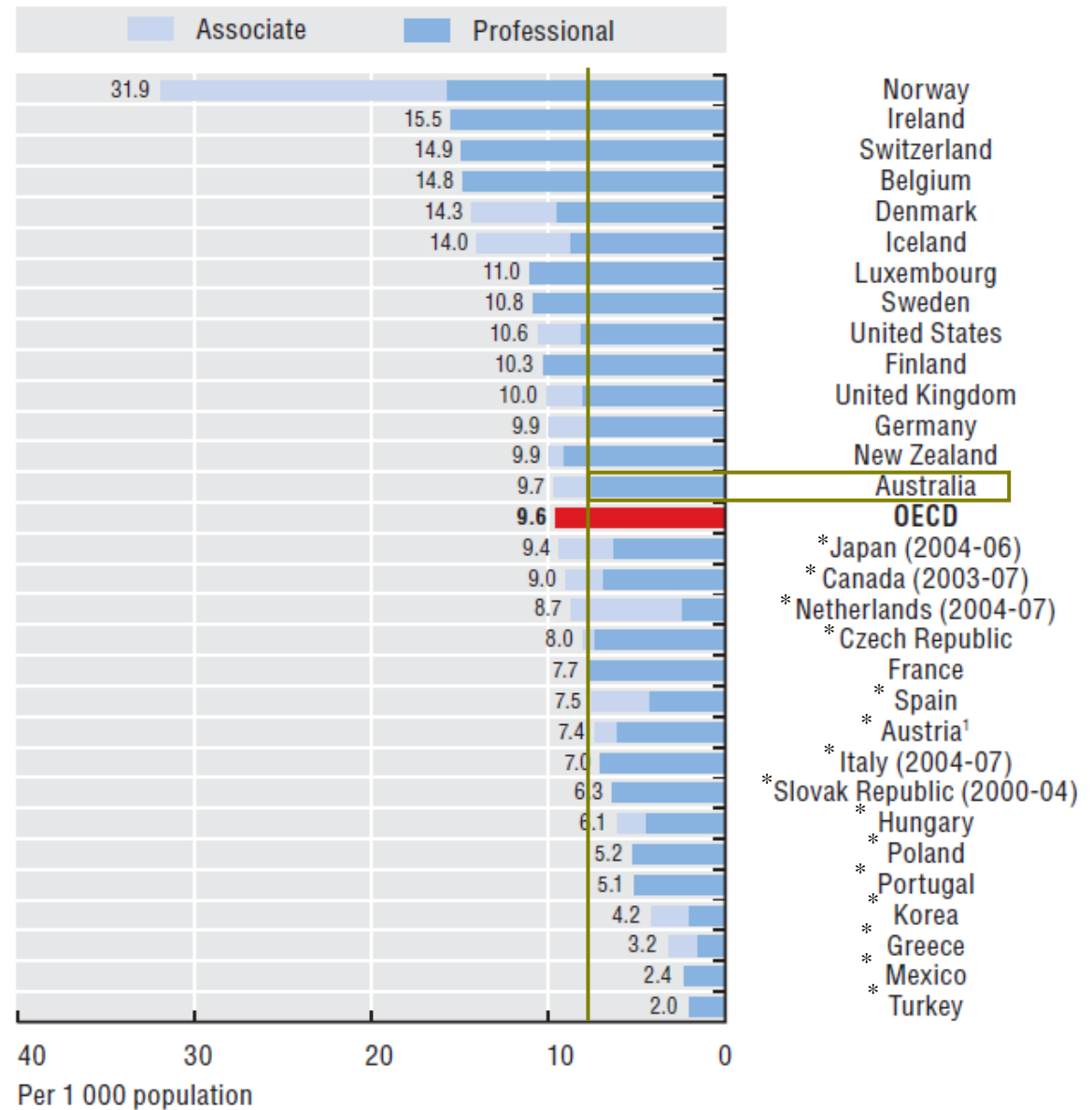
# Workforce Planning

Oxymoron in action

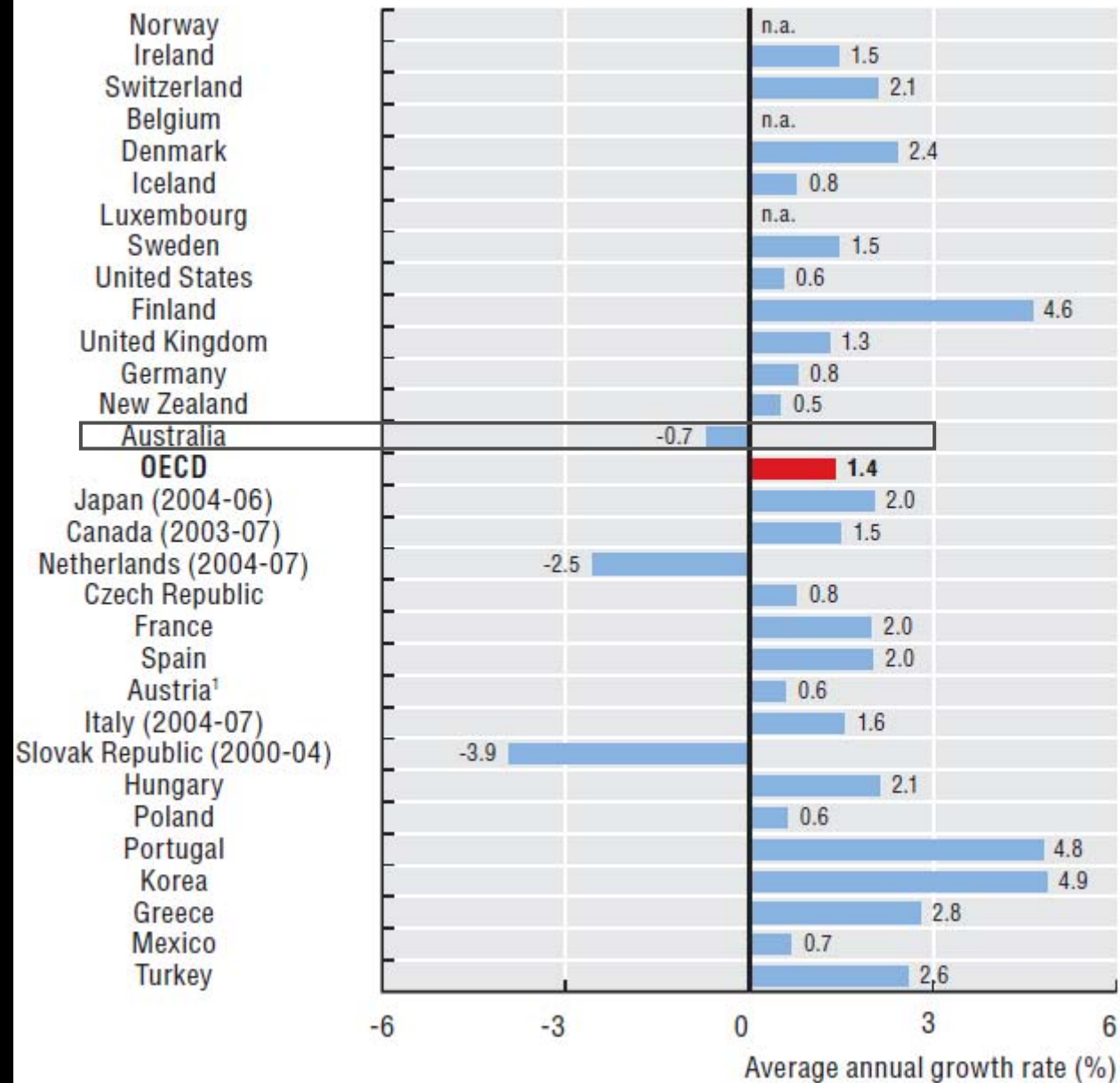
# Share of foreign-trained or foreign doctors, 2007



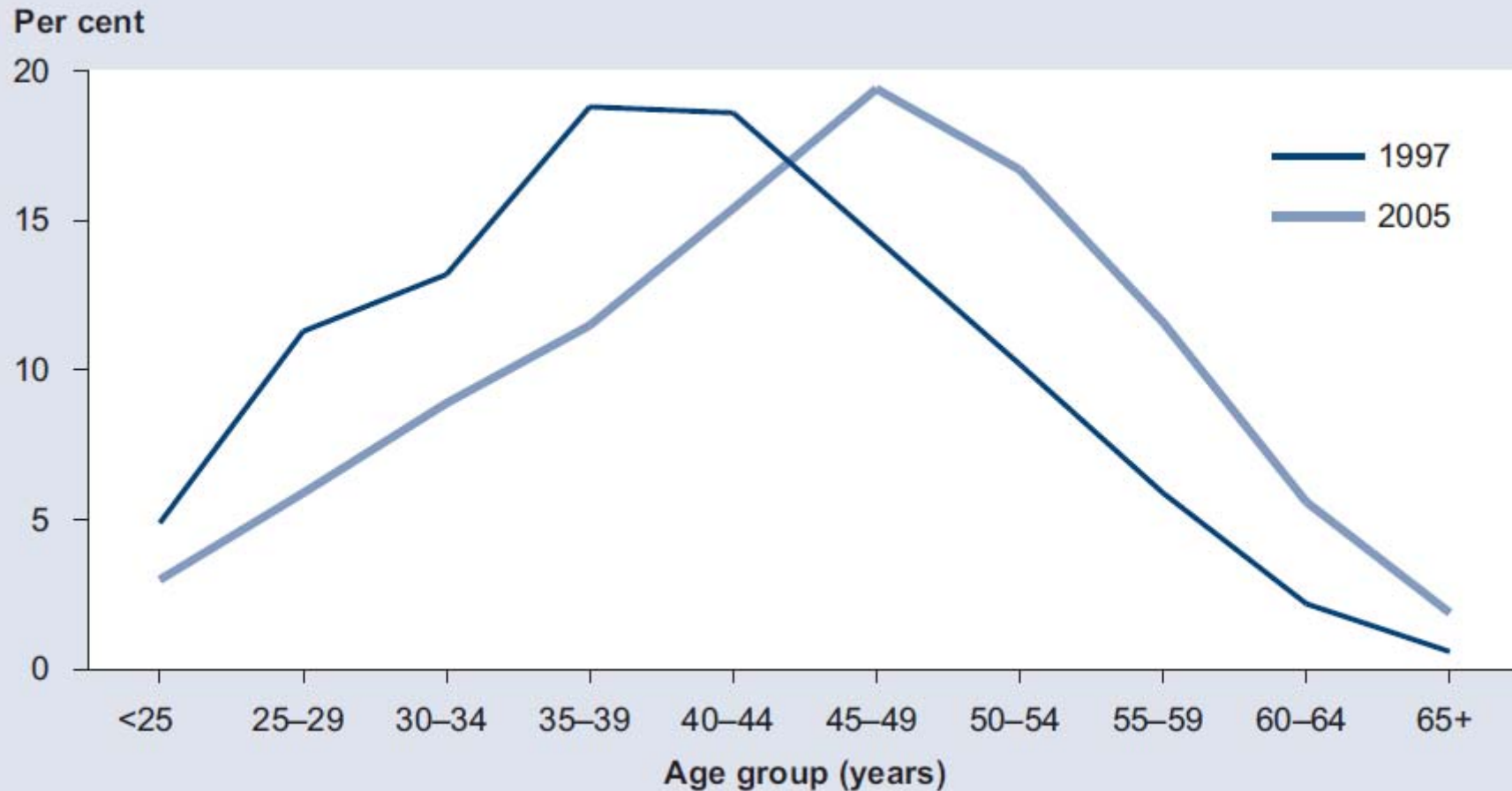
# Practising nurses per 1000 population, 2007



# Change in the number of practising nurses per 1000 population, 2000-07



# Age distribution of employed nurses, 1997 and 2005



Sources: AIHW Nursing Labour Force Surveys, 1997 and 2005.

# Memo to our workforce planners

- People get older

# Equity and patient out-of-pocket payments 2005/06

	%
Hospital	2.2
Medical	11.3
Dental	67.9
Medicines	45.9
Aids/appliances	74.1
Total	17.7

# Equity

1976 Use of GP's, specialists

Sydney/Darwin = 4.6

1996 – 98 Use of 15 procedures/SSD  
(age, sex adjusted) Victoria

\*75<sup>th</sup>/25<sup>th</sup> percentile varied

40 – 250 percent

# Quality

## *Quality in Australian Health Care Study*

'Based on QAHCS outcomes 25 patients die each day in our hospitals from preventable adverse events... We have had report after report... yet we continue to suffer hospital scandals affecting life and limb. Ten years after QAHCS... we still have no nationally accepted framework for clinical governance to assure the safety and quality of Australian health services... This ongoing vacuum is an indictment of our Health Ministers and organised medicine.'

(MJA, August 2005, p 284)

# Events Equivalent to Avoidable Adverse Events (Assume 50% QAHCS Rate)

- Jumbo jet crash / 2weeks x 350 die
- Bali bombing / 4 days x 100 die

# Options for quality reform

Richardson and McKie (2007) Modified Delphi

Time to implement + Time to impact

< 2 years      15

2-4 years      10

4-6 years      12

6-8 years      4

41

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# Cumulative reform, 2006

“One might assume that systemic improvements within the health system are either happening or, at the least, well advanced. Regrettably, improvements are still patchy. The greatest challenge for all remains how to achieve universal and systemic changes to the health system within a federated system.”

Barraclough and Birch, 'Health Care Safety and Quality:  
Where have we been and where are we going'  
*MJA* 2006; 184:S48-S50.

# Why have problems been ignored?

# Government and governance

- Problems above all known for 15-30 years (serious)
- Reform paralysis ← political system

# The continuity of reform paralysis

- 1975 The Commission concluded that health... *services should be more closely integrated* in the future to provide appropriate care and support. (Australian Government Social Welfare Commission)\*
- 1976 There is an immediate need to *rationalise the mosaic* of health and welfare services which is marked by duplication of roles and responsibilities. (Coombs Inquiry)\*
- 1977 We have found evidence of a degree of *overlap duplication*, proliferation and excessive administration with regard to Commonwealth (health and welfare) programs. (Bailey Review)\*
- 1980 The present arrangements are *fragmented* and tend to work against effective integration and utilisation of the various health services. (Jamieson Inquiry into the Efficiency of Administration of Hospitals)\*
- 1988 There is clear consensus amongst states and territories that existing programs providing related services... are separate, distinct and often *uncoordinated*. (National Community Consultation for Review of the Home and Community Care Program 1988)\*
- 1990 Provision of funding through separate budgetary allocations or by different levels... *inhibits the optimum use of resources*. (Senate Select Committee on Health and Health Insurance 1990)\*

Source: \*National Health Strategy 1991, The Australian Health Jigsaw: Integration of Health Care Delivery, Issues Paper No 1 July 1991 Department of Health, Housing and Community Services, Canberra.

# Cont'd

- 1991 The separation of funding of non-inpatient specialist, GP and diagnostic services... has created the strong incentive for cost-shifting, rather than a central focus on overall efficiency and optimum health outcomes... *Programs... lack cohesion*. (National Health Strategy, 1991 The Australian Health Jigsaw: Integration of Health Care Delivery, Issues Paper No 1)\*
- 2000 The Committee... believes that the lack of a national health policy reflects the *fragmented* nature of the health system. (Senate Community Affairs References Committee, Healing our Hospitals: Report on Public Hospital Funding, December 2000)
- 2004 In many cases the way the two levels of government interact does little for the quality of services received by the community, due to duplication, inefficiency and *lack of coordination*. (The Allen Consulting Group 2004)
- 2006 There are fragmented roles, responsibilities and regulatory arrangements... *inadequate coordination* between governments, planning, education and service providers... inflexible regulatory practices... perverse funding and payments incentives... and entrenched custom and practice. (Productivity Commission) 2006
- 2008 No level of government has a detailed understanding of all aspects of the health sector... there is widespread dissatisfaction with the fragmentation of services and difficulties with navigating a complex system... a strong message we heard... was *a desire for 'one health system'*. (National Health and Hospitals Reform Commission 2008)

Source: \*National Health Strategy 1991, The Australian Health Jigsaw: Integration of Health Care Delivery, Issues Paper No 1 July 1991 Department of Health, Housing and Community Services, Canberra.

## C. Reform Options

1. Complete Federal takeover
2. Managed Competition
3. Regulated Regional Care

# 1 Complete Commonwealth Takeover

- Monopoly by Wise and Benign  
Mr Rudd ? → Mr Abbott?
- Underlies NHHRC report

## But: Why have previous problems been ignored?

- Politicisation of health
- Key principle: Avoid issues creating political problems, eg
  - Adverse Events – doctors
  - PHI – Doctors/Pte hospitals wealthy

- History 20<sup>th</sup> Century
  - Dominated by technology, innovation, uncertainty, change
  - Monopoly
    - Failed
    - Internal bureaucracy
  - Successful corporations (IBM vs Microsoft)
    - 'Reinvent themselves'
  - General Motors !!

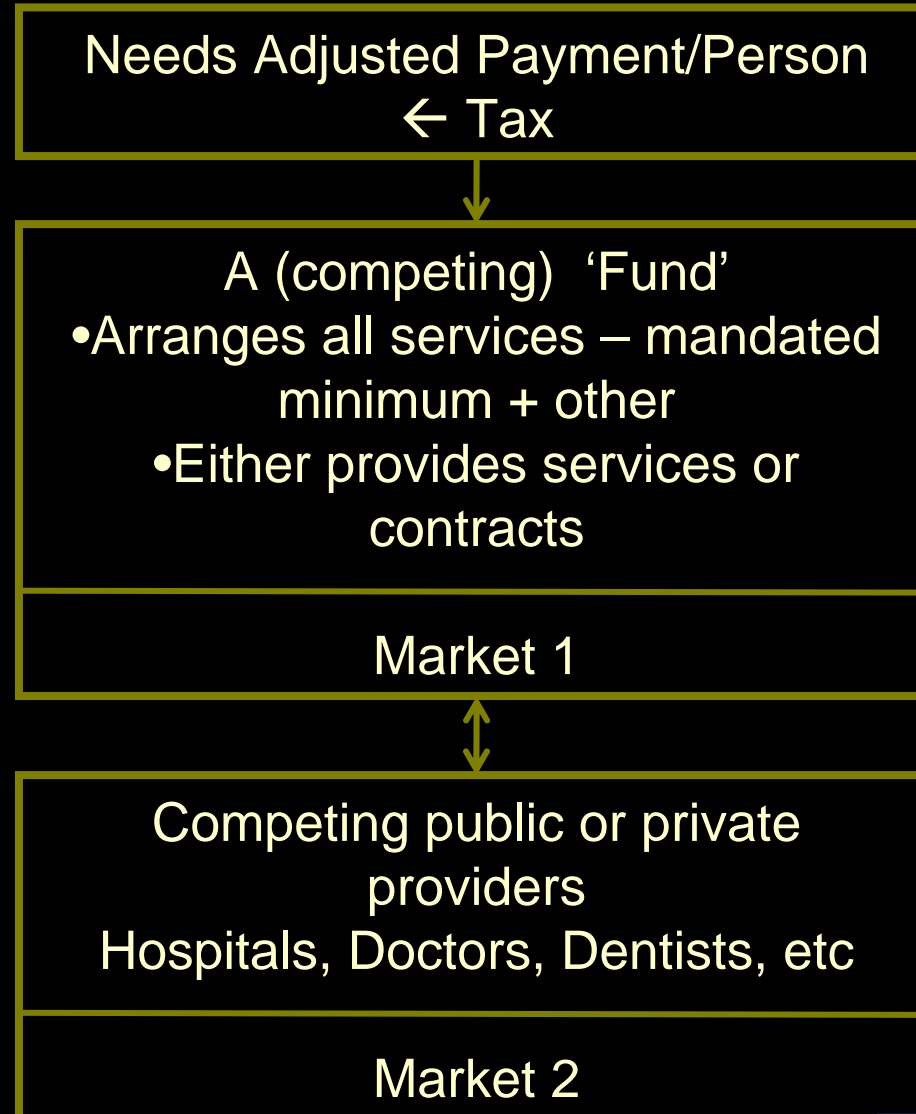
# Conclusion

- To achieve self renewal, dynamism... diversity
- Single Commonwealth monopoly... folly

# A private market ??

- Private system...      Comprehensively discredited
- Require...              Regulated market plus principles for ongoing reform

# Simplified Managed Competition



# The Devil is in the Detail

- Government ... sets the rules  
regulates provision  
prevents cheating

# National Health and Hospital Reform Commission

- Medicare Select = Scotton (Lite)
  - No detail

- Problem with managed competition
  - Will markets work
    - Cost effective vs cost allocative care
    - Local monopoly inevitable

# Regulated Regional Care

# Three key reform principles

1. Error learning
2. Navigation equipment  
(Health Services Research)
3. (Part) Insulation from government

# Why part insulation from Government?

- Key principles
  - Error detection
  - Error learning
- Recent government
  - Error denial
  - Marketing

# Fundamental system attribute #1

- Learning, change ← error detection
  - 2000 survey: 74% doctors... discouraged from reporting errors
- ← Experimentation
  - Reinvention ← ongoing adaptation
- Diversity
  - State/region based + autonomy *st* controls

KEY: Information and its diffusion

# Assessment of Australia's Health Statistics, 2009

“The (Productivity Commission’s) report (on public and private hospitals) revealed an appalling lack of data on Australian hospitals, which could hinder health care reform.”

Senator Nick Xenophon (Independent Senator for SA)  
Initiator of Productivity Commission Inquiry  
in *The Age*, 19 May 2010

# Navigation equipment

- 1+ Statistically independent institutes
  - QA
  - Technology: seek and diffuse
  - Innovation: monitor ideas - worldwide
  - HSR workforce
  - Information diffusion routine, proactive...  
to journalists
    - Queues x hospital x procedure
  - Comparison of performance

# Alternative governance

- Buying - Semi autonomous commission per state or region
- Funding - Commonwealth
- Providing - Less relevant private or public sector

## Alternative governance (cont'd)

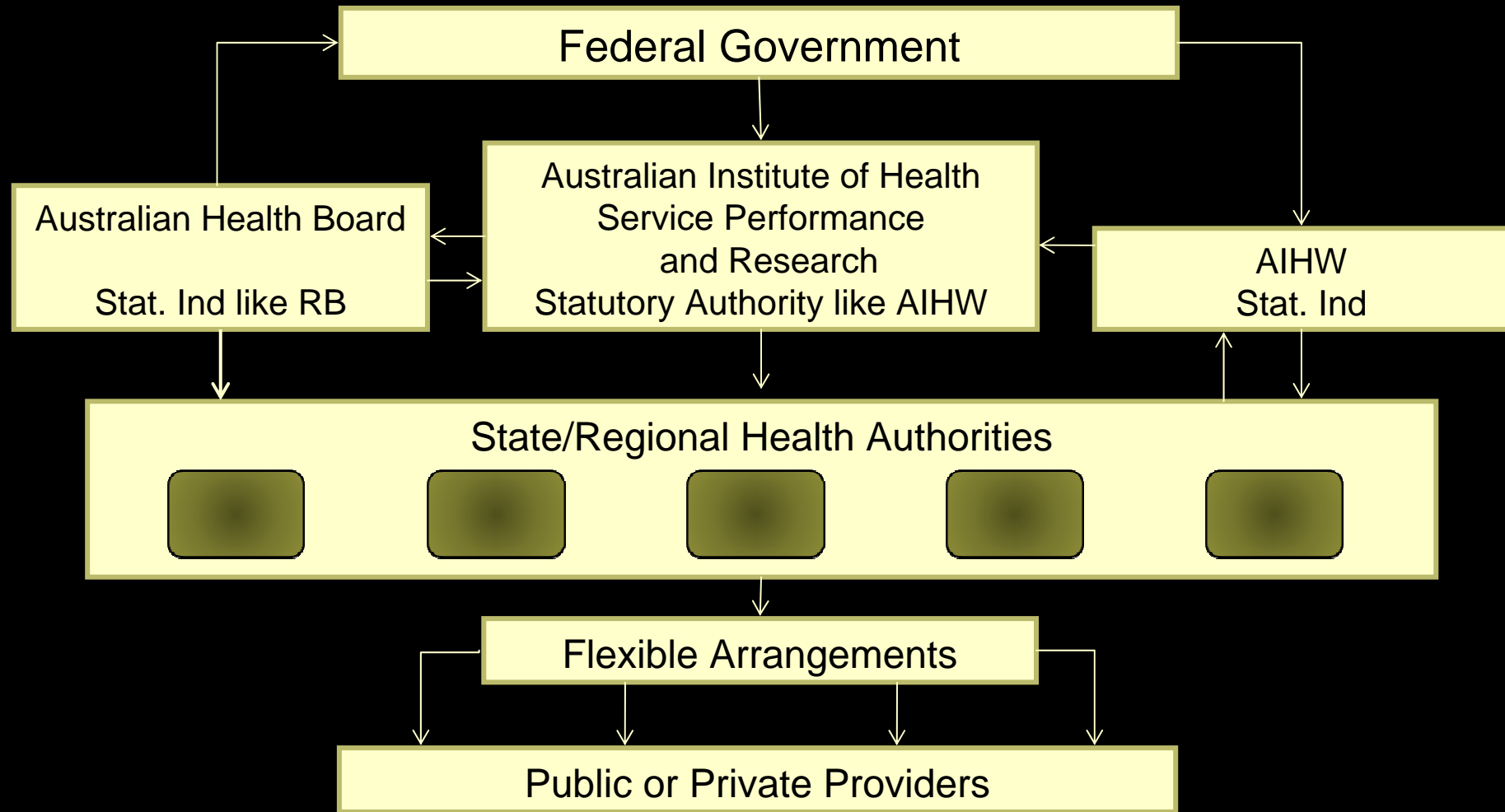
Regulating\*\*

(monitoring) - Statutory authority like  
RB, ABS

Navigation\*\*

- Stat independent institute  
Health Services Research  
Quality monitoring  
Technology innovation  
Provision of information

# Governance and Regulation



# Long Run

- Private sector schemes (Managed Competition) ??
- Risk related premiums (equity)
- Experimentation with delivery
  - Invite Kaiser Permanente to set up HMOs

# Conclude

- 35 years complacency
- Andrew Podger reports that in his capacity of Secretary to the Health Minister, he would suggest a major review of the health system 'almost every other year'. He (the Minister) would respond that articulating clearly the long term direction was as dangerous as “big bang” reform’.

(Podger A: *A Model Health System for Australia*. Inaugural Menzies Health Policy Lecture; 2006.)

# Conclusion

- Present 'Reform'
  - = ongoing 'dab' improvements
- Potential for improvement
  - Huge
  - Benefits = ↑ population health
- First Priority - enquiry into the system